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CITYCHAMP WATCH & JEWELLERY GROUP LIMITED

冠城鐘錶珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 256)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Citychamp Watch & Jewellery Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 together with the consolidated statement of financial position of the Group as at 31 December 2016, and the notes with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Re-presented)
Interest income from banking business		**26,934**	–
Interest expenses from banking business		**(8,951)**	–
Net interest income from banking business	6(a)	**17,983**	–
Service fees and commission income from banking business		**95,896**	–
Service fees and commission expenses from banking business		**(23,301)**	–
Net service fees and commission income from banking business	6(b)	**72,595**	–
Trading income from banking business	6(c)	**18,902**	–
Sales of goods from non-banking business	6(d)	**2,811,352**	3,458,245
Rental income from non-banking business	6(d)	**19,123**	18,109
Total revenue		**2,939,955**	3,476,354
Cost of sales from non-banking business		**(1,296,518)**	(1,694,496)
Other ordinary income and other net gains or losses	7	**63,165**	257,545
Selling and distribution expenses		**(841,444)**	(883,152)
Administrative expenses		**(648,477)**	(616,151)
Share of profit of associates		**23,134**	9,685
Finance costs	8	**(79,447)**	(77,075)
Profit before income tax	9	**160,368**	472,710
Income tax expense	10	**(96,528)**	(132,551)
Profit for the year		**63,840**	340,159
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
– Remeasurement of net defined benefit obligations		**14,368**	9,485
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation to presentation currency		**(226,038)**	(142,928)
– Release of exchange reserve to profit or loss upon disposal of a subsidiary		**4,701**	256
– Share of exchange differences on translation of associates		**(112)**	133
– Changes in fair value of available-for-sale financial assets		**(75,210)**	9,051
		(296,659)	(133,488)
Other comprehensive income for the year		**(282,291)**	(124,003)
Total comprehensive income for the year		**(218,451)**	216,156
Profit for the year attributable to:			
Owners of the Company		**36,703**	307,675
Non-controlling interests		**27,137**	32,484
		63,840	340,159
Total comprehensive income for the year attributable to:			
Owners of the Company		**(227,203)**	196,583
Non-controlling interests		**8,752**	19,573
		(218,451)	216,156
Earnings per share attributable to owners of the Company	13		
– Basic		**HK0.84 cent**	HK6.98 cents
– Diluted		**HK0.84 cent**	HK6.96 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Re-presented)
Assets			
Cash and deposits		**5,066,901**	836,065
Due from clients		**627,809**	–
Due from banks		**5,295,369**	–
Trading portfolio investments		**197,089**	367,471
Income tax recoverable		**9,693**	9,248
Derivative financial assets		**2,338**	2,244
Trade receivables	14	**461,585**	693,868
Inventories		**1,996,187**	2,042,892
Available-for-sale financial assets		**351,352**	317,250
Held-to-maturity investments		**338,709**	–
Short-term investments		**112,969**	143,362
Interests in associates		**88,841**	65,828
Property, plant and equipment		**948,022**	730,799
Investment properties		**107,779**	111,676
Prepaid land lease payments		**59,042**	46,208
Intangible assets		**124,904**	172,270
Goodwill	15	**862,834**	741,636
Deferred tax assets		**10,741**	7,641
Other assets		**593,656**	550,098
Total assets		**17,255,820**	6,838,556
Liabilities			
Due to banks		**3,007**	–
Due to clients		**10,393,047**	–
Derivative financial liabilities		**2,050**	7,260
Trade payables	16	**349,837**	359,533
Corporate bonds		**692,127**	708,834
Income tax payables		**87,654**	69,323
Borrowings		**1,190,340**	938,532
Provisions		**532**	–
Subordinated debt		**83,345**	–
Deferred tax liabilities		**33,196**	27,486
Other liabilities		**567,995**	493,101
Total liabilities		**13,403,130**	2,604,069
Equity			
Equity attributable to owners of the Company			
Share capital		**434,682**	440,938
Reserves		**3,198,199**	3,602,315
		3,632,881	4,043,253
Non-controlling interests		**219,809**	191,234
Total equity		**3,852,690**	4,234,487
Total liabilities and equity		**17,255,820**	6,838,556

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Citychamp Watch & Jewellery Group Limited (the "Company") is a limited liability company incorporated in Cayman Islands. Its registered office address is P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business is Units 1902-04, Level 19, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the principal activities of the Company and its subsidiaries (together referred to as the "Group") include:

- Manufacture and distribution of watches and timepieces;
- Property investments; and
- Banking business.

The Group completed the disposal of its 46.05% equity interest in Henan Jinjue Enterprise Company Limited ("Henan Jinjue") in May 2016. Upon the completion of the disposal, Henan Jinjue ceased to be a subsidiary of the Group.

The Group completed the acquisition of 83.22% equity interest in Bendura Bank AG (formerly known as Valartis Bank (Liechtenstein) AG) and its subsidiaries (collectively referred to as "Bendura Group") in September 2016.

Other than the aforementioned transactions, there was no other significant change in the Group's operations during the year.

The Group's principal places of the business are in Hong Kong, Switzerland, United Kingdom, Liechtenstein and the People's Republic of China (the "PRC").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs – effective 1 January 2016

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the "new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these consolidated financial statements as the Group has not previously used revenue-based depreciation method.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these consolidated financial statements as the Company is neither an intermediate parent entity nor an investment entity.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 (2014) – Financial Instruments

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") and those to be measured subsequently at fair value through profit or loss ("FVTPL"). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVTOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Only embedded derivatives in host contracts that are financial assets are no longer separated from the financial assets. The accounting for embedded derivatives in non-financial host contracts remains unchanged from HKAS 39.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in HKAS 39 for classification and measurement of financial liabilities were carried forward unchanged to HKFRS 9 (2014). The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

HKFRS 9 (2014) introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements will be amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of HKFRS 9 (2014) or continuing to apply HKAS 39 to all hedges, because the standard currently does not address accounting for macro hedging.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 include clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is in the progress of making assessments of potential impact of these new or revised HKFRSs upon initial application.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The consolidated financial statements also included the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3.2 Basis of measurement

The consolidated financial statements have been prepared under historical cost basis except for investment properties and financial instruments including trading portfolio investments, derivative financial instruments and available-for-sale financial assets, which are measured at fair value. The adoption of new or revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparing these consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

4. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

As mentioned in note 1, during the year ended 31 December 2016, the Group has acquired 83.22% equity interest in Bendura Group, which principally engaged in banking business. To align with the presentation of the financial information of the banking business, certain reclassifications are made to the comparative figures as presented in the consolidated financial statements of the Group for the year ended 31 December 2015 to conform to current year's presentation. These reclassifications have no effect on the consolidated financial position of the Group as at 31 December 2015 and its consolidated financial performance for the year then ended.

The reconciliation for the re-presentation of the comparative figures for the year ended 31 December 2015 as presented in the consolidated financial statements is set as below.

4.1 Consolidated statement of financial position as at 31 December 2015

Audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the Group's 2015 annual report	HK$'000	**Reclassifications** HK$'000	HK$'000	**Re-presented consolidated statement of financial position of the Group as at 31 December 2015**
Non-current assets				**Assets**
Property, plant and equipment	730,799	–	730,799	Property, plant and equipment
Investment properties	111,676	–	111,676	Investment properties
Prepaid land lease payments	45,242	966	46,208	Prepaid land lease payments
Goodwill	741,636	–	741,636	Goodwill
Interests in associates	65,828	–	65,828	Interests in associates
Available-for-sale financial assets	317,250	–	317,250	Available-for-sale financial assets
Convertible bond investment	8,327	(6,083)	2,244	Derivative financial assets
Intangible assets	172,270	–	172,270	Intangible assets
Prepayments and deposits	21,887	(21,887)	–	
Deferred tax assets	7,641	–	7,641	Deferred tax assets
	2,222,556			
Current assets				
Inventories	2,042,892	–	2,042,892	Inventories
Trade receivables	693,868	–	693,868	Trade receivables
Prepaid land lease payments	966	(966)	–	
Prepayments, deposits and other receivables	522,128	27,970	550,098	Other assets
Tax recoverable	9,248	–	9,248	Income tax recoverable
Equity investments held for trading	367,471	–	367,471	Trading portfolio investments
Short-term investments	143,362	–	143,362	Short-term investments
Cash and bank balances	836,065	–	836,065	Cash and deposits
	4,616,000		**6,838,556**	**Total assets**

Audited consolidated statement of financial position of the Group as at 31 December 2015 as extracted from the Group's 2015 annual report		Reclassifications		Re-presented consolidated statement of financial position of the Group as at 31 December 2015
	HK$'000	HK$'000	HK$'000	
Current liabilities				**Liabilities**
Trade payables	359,533	–	359,533	Trade payables
Other payables and accruals	431,407	61,694	493,101	Other liabilities
Dividend payables	1,482	(1,482)	–	
Tax payables	69,323	–	69,323	Income tax payables
Borrowings	766,654	171,878	938,532	Borrowings
Derivative financial liabilities	7,260	–	7,260	Derivative financial liabilities
Due to related companies	181	(181)	–	
	1,635,840			
Net current assets	**2,980,160**			
Total assets less current liabilities	**5,202,716**			
Non-current liabilities				
Other payables	60,031	(60,031)	–	
Borrowings	171,878	(171,878)	–	
Corporate bonds	708,834	–	708,834	Corporate bonds
Deferred tax liabilities	27,486	–	27,486	Deferred tax liabilities
Total non-current liabilities	**968,229**		**2,604,069**	**Total liabilities**
Net assets	**4,234,487**			
Equity				**Equity**
Equity attributable to owners of the Company				**Equity attributable to owners of the Company**
Share capital	440,938	–	440,938	Share capital
Reserves	3,602,315	–	3,602,315	Reserves
	4,043,253	–	4,043,253	
Non-controlling interests	191,234	–	191,234	Non-controlling interests
Total equity	**4,234,487**		**4,234,487**	**Total equity**
			6,838,556	**Total liabilities and equity**

4.2 Consolidated statement of comprehensive income for the year ended 31 December 2015

Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 as extracted from the Group's 2015 annual report	HK$'000	Reclassifications HK$'000	HK$'000	Re-presented consolidated statement of comprehensive income of the Group for the year ended 31 December 2015
Revenue	3,476,354	(18,109)	3,458,245	Sales of goods from non-banking business
	–	18,109	18,109	Rental income from non-banking business
	–		**3,476,354**	**Total revenue**
Cost of sales	(1,694,496)	–	(1,694,496)	Cost of sales from non-banking business
Gross profit	**1,781,858**			
Other income	204,608	52,937	257,545	Other ordinary income and other net gains or losses
Selling and distribution expenses	(883,152)	–	(883,152)	Selling and distribution expenses
Administrative expenses	(616,151)	–	(616,151)	Administrative expenses
Gain on fair value changes in equity investments held for trading, net	29,078	(29,078)	–	
Loss on fair value changes in contingent consideration payable	(969)	969	–	
Loss on fair value changes in the conversion option of the convertible bond investment	(1,749)	1,749	–	
Gain on fair value changes in derivative financial instruments	17,559	(17,559)	–	
Net deficit on revaluation of investment properties	(499)	499	–	
Gain on disposal of subsidiaries	9,517	(9,517)	–	
Share of profit of associates	9,685	–	9,685	Share of profit of associates
Finance costs	(77,075)	–	(77,075)	Finance costs
Profit before income tax	**472,710**		**472,710**	**Profit before income tax**
Income tax expense	(132,551)	–	(132,551)	Income tax expense
Profit for the year	**340,159**		**340,159**	**Profit for the year**

Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2015 as extracted from the Group's 2015 annual report	HK$'000	Reclassifications HK$'000	HK$'000	Re-presented consolidated statement of comprehensive income of the Group for the year ended 31 December 2015
Other comprehensive income				**Other comprehensive income**
Item that will not be subsequently reclassified to profit or loss				Item that will not be subsequently reclassified to profit or loss
– Remeasurement of net defined benefit obligations	9,485	–	9,485	– Remeasurement of net defined benefit obligations
Items that may be subsequently reclassified to profit or loss				Items that may be subsequently reclassified to profit or loss
– Exchange differences on translation of foreign operations	(142,928)	–	(142,928)	– Exchange differences on translation to presentation currency
– Release of exchange fluctuation reserve to profit or loss upon disposal of subsidiaries	256	–	256	– Release of exchange reserve to profit or loss upon disposal of subsidiaries
– Share of other comprehensive income of associates	133	–	133	– Share of exchange differences on translation of associates
– Changes in fair value of available-for-sale financial assets	9,051	–	9,051	– Changes in fair value of available-for-sale financial assets
	(133,488)		(133,488)	
Other comprehensive income for the year	**(124,003)**		**(124,003)**	**Other comprehensive income for the year**
Total comprehensive income for the year	**216,156**		**216,156**	**Total comprehensive income for the year**
Profit for the year attributable to:				**Profit for the year attributable to:**
– Owners of the Company	307,675	–	307,675	– Owners of the Company
– Non-controlling interests	32,484	–	32,484	– Non-controlling interests
	340,159		**340,159**	
Total comprehensive income for the year attributable to:				**Total comprehensive income for the year attributable to:**
– Owners of the Company	196,583	–	196,583	– Owners of the Company
– Non-controlling interests	19,573	–	19,573	– Non-controlling interests
	216,156		**216,156**	

5. SEGMENT INFORMATION

During the year ended 31 December 2016, the Group has reorganised its internal reporting structure by simplifying the segmental classification based on revenue contribution from its product and service lines so as to enhance operational efficiency. The segment of the distribution of yacht has been grouped into the unallocated corporate segment. Accordingly, the comparative segment information has been re-presented to conform to current year's presentation.

The chief operating decision-maker, being the Company's executive directors, have re-organised the Group's product and service lines as operating segments as follows:

(a) manufacture and distribution of watches and timepieces;

(b) property investments; and

(c) banking business.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2016

	Watches and timepieces HK$'000	Property investments HK$'000	Banking business HK$'000	Total HK$'000
Segment revenue:				
Net interest income from banking business	–	–	17,983	17,983
Net service fees and commission income from banking business	–	–	72,595	72,595
Trading income from banking business	–	–	18,902	18,902
Sales of goods from non-banking business	2,811,352	–	–	2,811,352
Rental income from non-banking business	–	19,123	–	19,123
Total revenue	2,811,352	19,123	109,480	2,939,955
Segment results	201,582	3,079	53,988	258,649
Unallocated corporate income and expenses, net				(41,968)
Share of profit of associates				23,134
Finance costs				(79,447)
Profit before income tax				160,368
Income tax expense				(96,528)
Profit for the year				63,840
Segment assets	4,618,884	201,017	11,518,558	16,338,459
Unallocated corporate assets:				
– Interests in associates				88,841
– Available-for-sale financial assets				254,512
– Trading portfolio investments				187,362
– Short–term investments				112,969
– Cash and deposits				70,453
– Other unallocated corporate assets				203,224
Consolidated total assets				17,255,820
Segment liabilities	688,546	68,786	10,608,974	11,366,306
Unallocated corporate liabilities:				
– Corporate bonds				692,127
– Borrowings				1,190,340
– Other unallocated corporate liabilities				154,357
Consolidated total liabilities				13,403,130
Other segment information				
Provision for impairment loss on trade receivables	12,797	–	–	12,797
Impairment loss on goodwill	70,566	–	–	70,566
Reversal of provisions for litigation risks	–	–	1,942	1,942
Reversal of impairment on due from banks credit risks	–	–	802	802
Reversal of impairment on due from customers credit risks	–	–	20	20
Provision for inventories	4,885	–	–	4,885
Reversal of provision for inventories	5,325	–	–	5,325
Net deficit on revaluation of investment properties	–	3,897	–	3,897
Loss on disposal of a subsidiary	28,699	–	–	28,699

2015

	Watches and timepieces HK$'000 (Re-presented)	Property investments HK$'000 (Re-presented)	Total HK$'000 (Re-presented)
Segment revenue:			
Sales of goods from non-banking business	3,458,245	–	3,458,245
Rental income from non-banking business	–	18,109	18,109
Total revenue	3,458,245	18,109	3,476,354
Segment results	549,559	4,470	554,029
Unallocated corporate income and expenses, net			(13,929)
Share of profit of associates			9,685
Finance costs			(77,075)
Profit before income tax			472,710
Income tax expense			(132,551)
Profit for the year			340,159
Segment assets	4,988,845	235,551	5,224,396
Unallocated corporate assets:			
– Interests in associates			65,828
– Available-for-sale financial assets			317,250
– Trading portfolio investments			367,471
– Short-term investments			143,362
– Cash and deposits			559,778
– Other unallocated corporate assets			160,471
Consolidated total assets			6,838,556
Segment liabilities	842,124	49,870	891,994
Unallocated corporate liabilities:			
– Borrowings			938,532
– Corporate bonds			708,834
– Other unallocated corporate liabilities			64,709
Consolidated total liabilities			2,604,069
Other segment information			
Provision for impairment loss on trade receivables	12,688	–	12,688
Reversal of provision for impairment loss on trade receivables	9,864	–	9,864
Provision for inventories	49,932	–	49,932
Reversal of provision for inventories	37,696	–	37,696
Net deficit on revaluation of investment properties	–	499	499
Gain on disposal of a subsidiary	9,517	–	9,517
Loss on fair value change in contingent consideration payable	969	–	969

Unallocated corporate income and expenses mainly comprised dividend income from trading portfolio investments and available-for-sale financial assets, gain on fair value changes in trading portfolio investment, gain on fair value changes in the derivative financial assets, gain on repurchase of corporate bonds, impairment of yacht and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment. Other corporate expenses mainly included employee costs, directors' remuneration and office rental expenses for administrative purpose.

The Group's revenues from external customers are divided into the following geographical areas:

	Revenue from external customers	
	2016	2015
	HK$'000	HK$'000
Hong Kong	**124,585**	109,978
PRC	**2,119,637**	2,706,583
Switzerland	**77,651**	152,867
United Kingdom	**153,689**	235,871
Liechtenstein	**109,480**	–
Others	**354,913**	271,055
	2,939,955	3,476,354

The geographical location of revenue is based on the location of customers.

The Group has a large number of customers and there is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the years ended 31 December 2016 and 2015.

6. REVENUE

The Group is principally engaging in manufacture and distribution of watches and timepieces, property investments and banking business.

For banking business, revenue mainly comprises net interest income, net service fees and commission income and net trading income (notes 6(a), 6(b) and 6(c)). For non-banking business, revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts and rental income received and receivables (note 6(d)).

Revenue recognised during the year is as follows:

(a) Net interest income from banking business

	2016 **HK$'000**	2015 HK$'000
Interest income from banking business arising from:		
Interest income – due from banks	**15,937**	–
Interest income – due from clients	**8,480**	–
Interest income from trading portfolio investments	**36**	–
Interest income from mortgage loans	**727**	–
Interest income from available-for-sale financial assets	**413**	–
Interest income from held-to-maturity investments	**1,108**	–
Interest income from money market papers	**77**	–
Negative interest expense on due to clients	**156**	–
	26,934	–
Interest expenses from banking business arising from:		
Interest expense on due to banks	**(6,123)**	–
Interest expense on due to clients	**(659)**	–
Interest expense for issued debt instruments	**(941)**	–
Negative interest income on due from banks and clients	**(1,228)**	–
	(8,951)	–
Net interest income from banking business	**17,983**	–

(b) Net service fees and commission income from banking business

	2016 **HK$'000**	2015 HK$'000
Service fees and commission income from banking business arising from:		
Commission income from loans	**597**	–
Brokerage fees	**17,646**	–
Custody account fees	**7,158**	–
Commission on investment advice and asset management	**25,585**	–
Commission income from service fees	**28,555**	–
Commission income from fiduciary fees	**90**	–
Commission income from retrocession	**1,080**	–
Other commission income	**15,185**	–
	95,896	–
Service fees and commission expenses from banking business	**(23,301)**	–
Net service fees and commission income from banking business	**72,595**	–

(c) Trading income from banking business

	2016 HK$'000	2015 HK$'000
Debt instruments	**(37)**	–
Securities	**8**	–
Forex and precious metals	**18,808**	–
Funds	**123**	–
Trading income from banking business	**18,902**	–

(d) Revenue from non-banking business

	2016 HK$'000	2015 HK$'000
Sales of goods	**2,811,352**	3,458,245
Rental income	**19,123**	18,109
Revenue from non-banking business	**2,830,475**	3,476,354

7. OTHER ORDINARY INCOME AND OTHER NET GAINS OR LOSSES

	2016 HK$'000	2015 HK$'000
Gain on fair value changes in trading portfolio investments, net	**68,187**	29,078
Loss on fair value changes in contingent consideration payable (note (a))	**–**	(969)
Gain on fair value changes in derivative financial instruments, net	**5,098**	15,810
Net deficit on revaluation of investment properties	**(3,897)**	(499)
(Loss)/Gain on disposal of subsidiaries	**(28,699)**	9,517
Bank and other interest income from non-banking business	**22,453**	35,511
Dividend income from trading portfolio investments	**3,358**	1,637
Dividend income from available-for-sale financial assets	**3,558**	7,597
Exchange gain, net	**5,367**	–
Sales of scrap materials	**3,471**	8,280
Other operating income	**4,993**	39,884
Government subsidies (note (b))	**31,587**	26,888
Gain on disposal of brand name	**–**	30,000
Gain on repurchase of corporate bonds	**312**	6,872
Compensation received (note (c))	**–**	23,495
Reversal of impairment loss on trade receivables	**–**	9,864
Impairment loss on goodwill (note 15)	**(70,566)**	–
Reversal of provisions for litigation risks	**1,942**	–
Reversal of impairment on due from customers credit risks	**20**	–
Reversal of impairment on due from banks credit risks	**802**	–
Gain on disposal of intangible assets	**–**	4,280
Sundry income	**15,179**	10,300
	63,165	257,545

Notes:

(a) Contingent consideration payable represented the fair value of final consideration payments of the acquisition of The Dreyfuss Group Limited and its subsidiaries ("Dreyfuss Group"). For the year ended 31 December 2015, the final consideration payable to the vendor has been mutually agreed at GBP1,050,000 (equivalent to approximately HK$11,638,000). The fair value loss of contingent consideration payable of HK$969,000 has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2015. No contingent consideration payable is recognised during the year.

(b) Government subsidies mainly comprised of unconditional subsidies received for subsidising the Group's business.

(c) Compensation received represented the money from the vendor in respect of the acquisition of Montres Corum Sàrl to compensate the uncollected trade receivables in 2015. No such compensation income is recognised during the year.

8. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest charged on corporate bonds	**30,222**	29,218
Interest charged on bank borrowings and bank overdrafts	**49,225**	47,782
Interest charged on finance leases	**–**	75
	79,447	77,075

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2016 HK$'000	2015 HK$'000
Cost of inventories recognised as expense, including:	**1,296,518**	1,694,496
– Reversal of provision for inventories (note (c))	**(5,325)**	(37,696)
– Provision for inventories	**10,231**	56,770
Depreciation and amortisation	**115,642**	116,816
– Depreciation (note (a))	**107,363**	103,144
– Amortisation of prepaid land lease payments (note (b))	**949**	1,015
– Amortisation of intangible assets (note (b))	**3,450**	9,096
– Amortisation of issuance cost of corporate bonds (note (b))	**3,880**	3,561
Lease payments under operating leases in respect of:		
– Land and buildings	**53,007**	54,324
– Plant and machinery	**1,386**	3,493
Auditor's remuneration	**3,900**	2,480
Gross rental income	**(19,123)**	(18,109)
Less: direct operating expenses	**3,487**	2,538
Net rental income	**(15,636)**	(15,571)
Exchange losses, net	**–**	6,130
Loss/(Gain) on disposal of property, plant and equipment	**328**	(155)
Research and development expenses (note (b))	**61,270**	110,898
Impairment loss on trade receivables	**12,797**	12,688

Notes:

(a) Depreciation expense of HK$20,271,000 (2015: HK$15,104,000) has been included in cost of sales, HK$42,009,000 (2015: HK$44,616,000) in selling and distribution expenses and HK$45,083,000 (2015: HK$43,424,000) in administrative expenses.

(b) Amortisation expenses and research and development expenses had been included in the administrative expenses.

(c) The reversal of provision for inventories made in prior years arose mainly due to an increase in the estimated net realisable value of certain finished goods as a result of improved sales performance.

10. INCOME TAX EXPENSE

For the year ended 31 December 2016, Hong Kong profit tax has been provided for certain subsidiaries within the Group and is calculated at 16.5% on the estimated assessable profits. For the year ended 31 December 2015, no provision for Hong Kong profit tax has been made as the Group has no assessable profits arising in Hong Kong. The subsidiaries established in the PRC are subject to income taxes at tax rates ranging between 15% and 25% (2015: 15% and 25%). Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The Group is also subject to PRC withholding tax at the rate of 5% or 10% (2015: 5% or 10%) in respect of its PRC sourced income earned, including rental income from properties in the PRC, dividend income derived from PRC incorporated company and profit arising from the transfer of equity interest in PRC incorporated company.

	2016	2015
	HK$'000	HK$'000
Current tax for the year		
PRC	**91,319**	124,123
Liechtenstein	**10,554**	–
Switzerland	**240**	2,128
United Kingdom	**–**	2,370
Hong Kong	**15**	–
Under/(Over)-provision in respect of prior years		
PRC	**–**	(305)
Switzerland	**14**	114
United Kingdom	**(1,528)**	–
Deferred tax for the year	**(4,086)**	4,121
Total income tax expense	**96,528**	132,551

11. DISPOSAL OF A SUBSIDIARY

Details of the Group's loss on disposal of a subsidiary for the year ended 31 December 2016 were set out as follows:

	HK$'000
Net assets disposed of as at the disposal date:	
Cash and deposits	**4,703**
Trade receivables	**58,813**
Inventories	**98,824**
Property, plant and equipment	**1,296**
Intangible assets	**24,033**
Other assets	**1,889**
Trade payables	**(22,029)**
Income tax payables	**(172)**
Other liabilities	**(18,400)**
	148,957
Non-controlling interests	**(61,212)**
	87,745
Release of exchange reserve upon disposal	**4,701**
	92,446
Less: Fair value of consideration in cash	**(57,563)**
Less: Value of the retained 4.95% equity interest in Henan Jinjue	**(6,184)**
Loss on disposal of Henan Jinjue (note 7)	**28,699**

The cash consideration of RMB10,501,000 (equivalent to HK$12,500,000) from disposal of Henan Jinjue has been received by the Group during the year. Pursuant to the sales and purchase agreement with the acquirer, the remaining consideration of RMB37,852,000 (equivalent to HK$42,282,000) (which has been presented under "other assets" in the consolidated statement of financial position as at 31 December 2016) will be received by the Group on or before 31 May 2017.

12. DIVIDENDS

	2016 **HK'000**	2015 HK$'000
Final dividend in respect of previous financial year of HK2.5 cents per share (2015: nil)	**108,654**	–

At the board meeting held on 31 March 2017, the board of directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: recommended final dividend of HK2.5 cents per share). For the year ended 31 December 2015, the final dividend declared after the reporting date had been paid to the Company's shareholders during the year ended 31 December 2016.

In the abovementioned board meeting, the board of directors resolved to recommend a special dividend of HK5 cents per share (2015: Nil). The proposed special dividend is subject to shareholder's approval in the forthcoming 2017 annual general meeting and has not been recognised as dividend payable as at 31 December 2016, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2017.

13. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

Earnings	**2016** **HK$'000**	2015 HK$'000
Profit attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**36,703**	307,675

Number of shares	**2016** **Number of shares** **'000**	2015 Number of shares '000
Weighted average number of shares for the purpose of calculating basic earnings per share	**4,367,238**	4,409,302
Effect of dilutive potential shares:		
– share options issued by the Company	**9,314**	9,588
Weighted average number of shares for the purpose of calculating diluted earnings per share	**4,376,552**	4,418,890

14. TRADE RECEIVABLES

The Group's trading terms with its customers from non-banking business are mainly on credit, except for certain customers, where payment in advance is required. The credit period is generally for a period of one to six months (2015: one to six months) for major customers. The credit term for customers is determined by the management according to industry practice together with consideration of their creditability. In view of the aforementioned and the fact that the Group's trade receivables are related to a wide range of customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables as at the reporting date, based on invoice date, and net of provisions, is as follows:

	2016 **HK$'000**	2015 HK$'000
1 to 3 months	**364,628**	562,540
4 to 6 months	**39,784**	68,523
Over 6 months	**57,173**	62,805
	461,585	693,868

15. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2016 **HK$'000**	2015 HK$'000
Year ended 31 December		
Opening carrying amount	**741,636**	741,636
Acquisition of subsidiaries (note 17)	**242,875**	–
Impairment loss (note)	**(70,566)**	–
Exchange realignment	**(51,111)**	–
Closing carrying amount	**862,834**	741,636

Note:

Dreyfuss Group incurred loss for the year ended 31 December 2016 and the revenue growth is not achieved as previously expected. The directors of the Company considered the goodwill arising from the acquisition of Dreyfuss Group should be impaired. As the recoverable amount of the cash generating unit ("CGU") of Dreyfuss Group as at 31 December 2016 amounting to HK$123,273,000 is lower than its carrying amount, an impairment loss on the goodwill of HK$70,566,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016.

The recoverable amount of CGU of Dreyfuss Group is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at the growth rates of 3% which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 17.46% per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU.

16. TRADE PAYABLES

The credit terms of trade payables from non-banking business vary according to the terms agreed with different suppliers. Ageing analysis of trade payables as at the reporting dates, based on the invoice dates, is as follows:

	2016	2015
	HK$'000	HK$'000
1 to 3 months	**268,590**	320,297
4 to 6 months	**21,771**	16,745
Over 6 months	**59,476**	22,491
	349,837	359,533

Trade payables are non-interest bearing.

17. ACQUISITION OF SUBSIDIARIES

On 20 September 2016, the Group acquired 83.22% equity interest of Bendura Group, which conducts all transactions associated with it being an asset management bank in Liechtenstein and abroad with principal activities including accepting client deposits, investing the client deposits on stock exchanges and in financial centres and granting loans as part of its asset management business. Considering with 1.7% equity interest held by Bendura Group itself as treasury stock, the Group effectively acquired 84.66% equity interest of Bendura Group. Following the acquisition, the Group obtained the control over Bendura Group through the Group's right to nominate majority of the members of Bendura Group's directors, and Bendura Group became subsidiaries of the Group. The acquisition provides an opportunity for the Group to participate in the banking industry in Liechtenstein through Bendura Group and allows the Group to diversify its business into the financial sector.

Details of the net assets acquired as at the date of acquisition are as follows:

	HK$'000
Cash consideration	788,401
Less: Fair value of net assets acquired	(545,526)
Goodwill	242,875

Pursuant to the share purchase agreement, total purchase consideration is CHF99,599,000 (equivalent to approximately HK$788,401,000) in cash.

The goodwill of HK$242,875,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of the banking business in Liechtenstein to diversify the revenue stream of the existing business of the Group.

The fair values of the identifiable assets and liabilities arising from the acquisition of Bendura Group as at the date of acquisition were as follows:

	Fair value HK$'000
Cash and deposits	5,409,385
Due from clients	773,107
Due from banks	5,332,634
Trading portfolio investments	9,376
Derivative financial assets	2,442
Available-for-sale financial assets	127,959
Treasury notes and bills	620,138
Held-to-maturity investments	362,143
Property, plant and equipment	200,972
Deferred tax assets	5,528
Other assets	73,682
Due to banks	(19,763)
Due to clients	(12,017,676)
Derivative financial liabilities	(2,230)
Income tax payables	(25,344)
Provisions	(6,496)
Subordinated debt	(87,555)
Deferred tax liabilities	(6,857)
Other liabilities	(107,068)
Net assets	644,377
Non-controlling interests	(98,851)
Fair value of net assets acquired	545,526

Bendura Group contributed revenue of approximately HK$109,480,000 and net profit of approximately HK$47,145,000 to the Group from the date of acquisition to 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year ended 31 December 2016, the Group recorded revenue of approximately HK$2,939,955,000 (31 December 2015: HK$3,476,354,000), a decrease of HK$536,399,000 or 15.4% over 2015.

Gross profit from non-banking business for the year was approximately HK$1,533,957,000 (31 December 2015: HK$1,781,858,000), a decrease of HK$247,901,000 or 13.9% over 2015.

Operating expenses (including selling and distribution expenses and administrative expenses) for the year was approximately HK$1,489,921,000 (31 December 2015: HK$1,499,303,000), a decrease of HK$9,382,000 or 0.6% over 2015.

Net profit after tax for the year was approximately HK$63,840,000 (31 December 2015: HK340,159,000), a decrease of HK$276,319,000 or 81.2% over 2015. Impairment loss of approximately HK$70,566,000 on goodwill contributed to the decrease in net profit after tax.

BUSINESS DEVELOPMENT STRATEGIES IN 2016

Continuous development of Chinese proprietary brands

Against the adverse market conditions in Mainland China in 2016, both Rossini and EBOHR are well positioned to meet the evolving needs of consumers and to benefit from the scale and resilience of these growth opportunities in Mainland China. Rossini brand has been established more than 33 years and EBOHR more than 25 years. With the unique and strong platform which is based on the unrivaled access to consumers through over 6,500 distribution outlets coupled with the rapid development of e-commence and products that are tailored to local market conditions and needs, both companies would continue to lead the watch industry in Mainland China.

Continuous development of foreign proprietary brands

Despite very challenging market conditions for the Swiss brands generally, Corum managed to increase the revenue and almost achieve break-even in 2016 while Eterna and the Dreyfuss Group suffered from the global decrease in demand for luxury products. The management team has implemented detailed solution plans based on market forecast and improving the internal resource allocation.

Restructuring of distribution companies

Having conducted an on-going and in-depth evaluation of the existing portfolio of distribution companies in Mainland China, we have disposed of 46.05% equity in Henan Jinjue Enterprise Company Limited ("Henan Jinjue") in May 2016, at a consideration of RMB48,353,000 (equivalent to approximately HK$54,782,000). The disposal led to a loss of approximately HK$28,699,000. Following the disposal, we still own 4.95% equity in Henan Jinjue.

Embarking on the securities and banking business

Considering the unique position of Hong Kong as the financial centre, especially after the implementation of the Belt Road Strategy of the PRC Central Government, the Group diversifies into securities and banking businesses. To this end, we have acquired Shun Heng Securities Limited ("Shun Heng"), Bendura Bank AG ("Bendura Bank", formerly Valartis Bank (Liechtenstein) AG) and Hong Kong Metasequoia Capital Management Limited ("Metasequoia Capital").

On 19 February 2016, we entered into an agreement to acquire 100% interest in Shun Heng, a company licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (the "SFO"), at a consideration of HK$24,800,000. We believe the acquisition will provide an opportunity for the Group to participate in the securities trading industry in Hong Kong and allow the Group to broaden the revenue and income stream. The approval from the Securities and Futures Commission (the "SFC") was obtained in January 2017 and the acquisition was duly completed in February 2017.

On 24 March 2016, we entered into an agreement to acquire no less than 68.85% equity interest of Bendura Bank located in Liechtenstein. Bendura Bank offers traditional investment advisory and asset management services for clients not only in traditional European markets but also acquiring emerging markets through multilingual coverage desk catering to clients from different markets. Further, with the outlook and confidence in the future prospects of the banking industry, we believe that the acquisition provides an opportunity for the Group to diversify its business and broaden its revenue and income streams. The acquisition was duly completed on 20 September 2016 and eventually 83.22% of the total equity of Bendura Bank was acquired by the Group at the final consideration of HK$788,401,000.

On 15 August 2016, the Group entered into an agreement to acquire 100% interest in Metasequoia Capital, a licensed company to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, at a consideration of HK$6,000,000. The approval from SFC was obtained in January 2017 and the acquisition of Metasequoia Capital was duly completed in February 2017.

Through the acquisitions of Shun Heng, Bendura Bank and Metasequoia Capital, the Group is in a position to embark on the securities and banking businesses.

We present our discussion and analysis by the following segments.

I. Watches and timepieces
  I.A – Chinese proprietary brands
  I.B – foreign proprietary brands
  I.C – non-proprietary brands
  I.D – production and others
II. Banking business
III. Various investments

I.A. Watches and timepieces – Chinese proprietary brands

Zhuhai Rossini Watch Industry Ltd.

Revenue in 2016 was HK$992,552,000 (approximately RMB849,396,000), a decrease of HK$159,885,000 (approximately RMB72,554,000), or 13.9% (7.9% in RMB), from HK$1,152,437,000 (approximately RMB921,950,000) in 2015. After share of 91% by the Company, the net profit after tax attributable to owners of the Company in 2016 was HK$291,662,000 (approximately RMB249,596,000), a decrease of HK$51,032,000 (approximately RMB24,559,000) or 14.9% (9.0% in RMB) compared with HK$342,694,000 (approximately RMB274,155,000) in 2015.

Year	2014	2015	**2016**
No. of distribution outlets	2,681	3,190	**3,400**

Rossini has expanded sales to overseas markets. In 2016, Rossini opened more distribution outlets in Macau and Hong Kong, and established new sales locations in Singapore, Malaysia and Cambodia. Given attractive products, competitive pricing and reliable quality, the potential is considered tremendous.

Understanding that the younger generation may prefer shiny, prestigious and high-tech watches, Rossini has entered the smartwatch fray. Rossini's experiment with smartwatch has been successful and the first model was launched into the market in January 2016. Like e-commerce, developing the smartwatch line caters to the strategic development needs of Rossini.

E-commerce sales increased to HK$219,175,000 in 2016 from HK$202,381,000 in 2015 and its respective proportion of total revenue to 22.1% from 17.6%. Rossini will continue to explore more suitable e-commerce platforms to complement its existing platforms and the brand. It is expected that e-commerce will be able to maintain a solid growth rate in the forthcoming years given the trend of e-commerce in Mainland China.

The watch museum in the headquarters attracted a tremendous number of tourists amounting to more than 260,000 in 2016 and generated revenue of over HK$30,236,000 (2015: HK$37,688,000). The slight decrease was due to the renovation and expansion of the watch museum. Rossini is putting stronger efforts into expanding the watch museum and developing industrial tourism, and hence boosting brand awareness.

The second phase of Rossini's watch cultural and industrial park, including factory facilities of 24,000 sqm erected on an industrial site of 25,000 sqm, has been fully operational since January 2017. The second phase includes a global e-commerce centre, a scientific technology R&D centre, a R&D center for mechanical movements and smartwatch, and the production base for high-end clocks. Rossini's technology center, which was established in 2007 and recently ranked as a National Certified Enterprise Technology Centre (國家認定企業技術中心), have also been moved into the second phase. The brand will be further enhanced by new technology, new products and new channels of distribution through e-commerce. Rossini is now well-positioned to move into higher value-added product segments and further develop the international markets.

Rossini was awarded numerous awards in 2016 for its dedication and excellence in maintaining product quality, including the Global Performance Excellence Award (World Class) award by the 22nd Asia Pacific Quality Conference and the 16th National Quality Award (Finalists Award) (全國質量獎(入圍獎)). Additionally, Rossini has been selected as one of China's 500 Most Valuable Brands of the Year 2016 (with a brand value of approximately RMB10.2 billion) and as one of Asia's 500 Most Influential Brands in 2016 both by the World Brand Laboratory.

EBOHR Group

EBOHR Group is composed of EB Brand Limited, EBOHR Luxuries International Limited ("EBOHR"), Shenzhen EBOHR Luxuries E-commerce Co., Ltd. and Swiss Chronometric AG.

Revenue in 2016 was HK$751,135,000 (approximately RMB642,799,000), a decrease of HK$205,424,000 (approximately RMB122,448,000), or 21.5% (16.0% in RMB), from HK$956,559,000 (approximately RMB765,247,000) in 2015. Net profit after tax in 2016 was HK$137,992,000 (approximately RMB118,089,000), compared with HK$231,683,000 (approximately RMB185,346,000) in 2015, a decrease of HK$93,691,000 (approximately RMB67,257,000), or 40.4% (36.3% in RMB).

Year	2014	2015	**2016**
No. of distribution Outlets	2,493	2,910	**3,174**

The performance of EBOHR was affected by two conflicting factors. On one hand, it was adversely affected by the general decline in the retailing market in Mainland China in 2016. On the other hand, the increasingly strong penetration of e-commerce in Mainland China contributed favorably to EBOHR.

In view of the decline in retailing market, EBOHR took various measures in 2016 to boost sales.

First, EBOHR has imposed tighter management and control on distribution outlets. Greater effort has been put on data analysis with the objective to formulate various strategies targeted to distribution outlets.

Secondly, EBOHR has improved the system of after-sales services. Following the recruitment and training of technical staff and acquisition of hardware, EBOHR is now in a position to provide satisfactory maintenance services so as to improve the brand reputation.

Thirdly, EBOHR has invested more resources on e-commerce. E-commerce sales through the online stores at the major e-commerce platforms in Mainland China increased to HK$163,515,000 in 2016 from HK$148,348,000 in 2015; its respective proportion of total revenue to 21.8% from 15.5%. EBOHR works closely with the e-commerce platforms, to conduct in-depth data analyses, improve the consumers' experience, and in the process gradually expand the e-commerce sales. EBOHR focuses on the further penetration of the existing e-commerce platforms and at the same time develops new e-commerce platforms for certain market segments that are not currently reached. Substantial efforts were put on improvement of the official website periodically and of presentation of the products so as to increase the possibility of actual orders.

The construction work of EBOHR's new facilities was mostly completed in 2016 and is expected to be fully operational in the second half of 2017.

EBOHR has been acknowledged by the World Brand Laboratory as one of China's 500 Most Valuable Brands of the Year 2016 (with a brand value of approximately RMB7.3 billion) and one of Asia's 500 Most Influential Brands in 2016.

Rossini and EBOHR continued to be the major sources of revenue and accounted for more than 61.6% of the total revenue from non-banking business of the Group in 2016 (2015: 60.7%). They were also the major contributors of net profits for the Group, financing the development of new ventures of the Group.

I.B. Watches and timepieces – Foreign proprietary brands

Collectively, foreign proprietary brands contributed revenue and net loss after tax for the year of HK$664,953,000 and HK$255,702,000 respectively (31 December 2015: HK$734,867,000 and HK$132,950,000 respectively).

Eterna now focuses on the sale and marketing oriented operation with the primary objective of rebuilding the Eterna brand. The rejuvenation of the product, the repositioning of the brand and rebalancing of the collection so as to provide a 50/50 men's and lady's split have been implemented and achieved.

In addition to Corum's existing three collection pillars, namely, Bridges, Admiral's Cup and Heritage, the Bubble collection was re-launched in Basel World 2016 and was well-received during market release in May and June 2016. The best performing markets in 2016 were Hong Kong, Malaysia, Italy and the US. Mainland China is expected to be one of the leading markets for generating revenues due to the immensely untapped potential. Corum has focused on enhancing efficiency, reducing cost and increasing productivity. Reduction of slow-moving watches and components was ongoing with strict control of inventory level. As a result of strong growth in revenue and better performance in cost control, Corum almost achieved breakeven in 2016.

The UK market experienced political and economic uncertainties during the Brexit debates, which consequently resulted in consumer's lack of confidence and soft spending. To weather the storm and encourage sales in the UK market, attractive promotions and trade incentives for Dreyfuss were provided. Dreyfuss will continue to be safeguarded by its solid market position characterized by its affordable price level and classic product designs. Dreyfuss continued to expand its international portfolio, as a strategy to build up international brand image and to diversify the risk of over-reliance on the UK market in the long run. Sales through in-flight catalog is also an increasingly strong source of revenue.

I.C. Watches and timepieces – non-proprietary brands

Collectively, distribution companies contributed revenue and net loss after tax for the period of HK$290,396,000 and HK$3,987,000 respectively (31 December 2015: HK$519,884,000 and HK$1,783,000 respectively).

Owing to the relatively slow economic growth in Mainland China and the strong anti-extravagance policies adopted by the PRC Central Government, the demand for the imported mid-range and high-end watches was weakened in the Mainland China market, which adversely affected the revenue and performance of the distribution companies.

I.D. Watches and timepieces – production

The Group has the capability to produce mechanical movement ranging from basic mechanical movement to tourbillon and fashion watches on OEM basis for leading global brands at competitive cost.

Guangzhou Five Goat Watch Company Limited expanded its customer base.

Fair Future Industrial Limited ("Fair Future"), a 25% owned associate of the Group, is engaged in the manufacturing of watches and accessories of watches for a well-known Japanese brand on an OEM basis. The performance of Fair Future improved despite challenging market conditions.

II. Banking business

Bendura Bank, a subsidiary that the Group holds 83.22% equity interest, aims to accompany its clients from one generation to the next and to provide them with long-term benefit. That our highly qualified employees are multilingual (German, England, Italian, Turkish, Russian, Polish, Czech, Slovak, Serbian, Croatian, Slovenian, Hungarian and Mandarin) with the necessary cultural understanding enables efficient market access internationally.

The range of private banking is comprehensive, focusing on, among others, following areas:

(1) asset management;

(2) investment advice; and

(3) transaction banking.

Considering the acquisition by the Group completed on 20 September 2016 and holding 83.22% equity interest, Bendura Bank contributed revenue and net profit after tax attributable to the owners of the Company of HK$109,480,000 and HK$39,913,000 respectively.

In 2016, Bendura Bank sponsored the Snow Polo World Cup in Kitzbuhel, which was the world's largest snow polo tournament. It was well attended by clients and intermediates (including lawyers, tax consultant, trustees and asset managers) and has contributed immensely to new business development.

Bendura Bank continues to invest in the Mandarin team so as to work on opportunities for Mandarin speaking clients.

Bendura Bank and Bendura Fund Management Alpha AG (formerly named Valartis Fund Management (Liechtenstein) AG) will continue to operate independently in separate premises in the future.

III. Various investments

As at 31 December 2016, the Group held 30,389,058 shares of Citychamp Dartong Company Limited with a market value of approximately HK$243,058,000.

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen, three shop units on Xianghua Road, Zhuhai (all in the Guangdong Province of Mainland China) and one apartment in Hong Kong owned by the Group have been leased out, with stable rental returns to the Group for the year under review. During the year, the Group has generated rental income of HK$19,123,000 (31 December 2015: HK$18,109,000).

FINANCIAL POSITION

(1) Liquidity, financial resources and capital structure

As at 31 December 2016, the Group had non-pledged cash and deposits of approximately HK$5,066,901,000 (31 December 2015: HK$836,065,000). Based on the bank borrowings of HK$1,190,340,000 (31 December 2015: HK$938,532,000), the corporate bonds of approximately HK$692,127,000 (31 December 2015: HK$708,834,000) and shareholders' equity of HK$3,632,881,000 (31 December 2015: HK$4,043,253,000), the Group's gearing ratio (being borrowings plus corporate bonds divided by Shareholders' equity) was 52% (31 December 2015: 41%). The increase in bank borrowings was due to additional working capital required to finance the continuous growth of the Group.

As at 31 December 2016, the Group's borrowings amounting to HK$1,174,367,000 (31 December 2015: HK$766,654,000) were repayable within one year or on demand, representing 99% (31 December 2015: 82%) of the total borrowings.

The Group intends to apply a conservative approach to borrowings in view of the challenging global economic environment.

List of bank borrowings by currencies and by nature of interest rate and by duration

Currency	Nature of interest rate	Duration within 1 year or on demand HK$'000	Duration more than 1 year HK$'000
CHF	Fixed/Floating	105,178	15,973
EUR	Floating	93,758	–
GBP	Floating	48,983	–
HKD	Fixed/Floating	542,240	–
RMB	Fixed	22,341	–
USD	Floating	361,867	–
		1,174,367	15,973

(2) Charge on assets

As at 31 December 2016, banking facilities of the Company were secured by the Group's trade receivables of HK$33,647,000, investment properties in Hong Kong of HK$24,100,000 and land and buildings in Switzerland with net book values of HK$127,516,000, totaling HK$185,263,000 (31 December 2015: HK$227,769,000).

(3) Capital commitments

Capital commitments as at 31 December 2016 were approximately HK$381,684,000 in total (31 December 2015: HK$109,974,000):

1. Purchase of property, plant and equipment;
2. Acquisition of a subsidiary – Shun Heng;
3. Acquisition of a subsidiary – Metasequoia Capital; and
4. Investment in an associate – Citychamp Allied International Limited.

Except for the above, the Group had no other material capital commitments as at 31 December 2016.

FINANCIAL REVIEW

(1) Gross profit from non-banking business

Gross profit was HK$1,533,957,000, a decrease of 13.9% from HK$1,781,858,000 in 2015. Before making adjustments for intra-group transactions, Rossini contributed a gross profit of HK$707,437,000 and a gross margin of 71% while EBOHR Group contributed a gross profit of HK$480,172,000 and a gross margin of 64%.

(2) Selling and distribution expenses

Total selling and distribution expenses was HK$841,444,000, a decrease of 4.7% from HK$883,152,000 in 2015. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed selling and distribution expenses of HK$305,363,000, HK$261,431,000, HK$30,283,000, HK$92,349,000 and HK$97,379,000 respectively.

(3) Administrative expenses

Total administrative expenses was HK$648,477,000, an increase of 5.2% from HK$616,151,000 in 2015. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed administrative expenses of HK$73,623,000, HK$71,600,000, HK$75,024,000, HK$111,665,000 and HK$47,977,000, respectively.

(4) Financial costs

Total financial costs were HK$79,447,000, an increase of 3% from HK$77,075,000 in 2015. While interests charged on corporate bonds remained at a similar level at approximately HK$30,222,000 (2015: HK$29,218,000), interests charged on bank borrowings and bank overdrafts increased to approximately HK$49,225,000 for year 2016 from approximately HK$47,782,000 for year 2015.

(5) Impairment losses

The Group recorded an asset impairment of approximately HK$70,566,000 related to the Dreyfuss Group. The impairment loss was provided as the future performance of Dreyfuss Group does not meet its previously expected performance.

(6) Net profit attributable to owners of the Company

Net profit attributable to owners of the Company was HK$36,703,000, a decrease of 88.1% from HK$307,675,000 in 2015. Before making adjustments for intra-group transactions, Rossini contributed net profit attributable to owners of the Company of HK$291,662,000 while EBOHR Group contributed HK$137,992,000.

(7) Inventory

Inventory was HK$1,996,187,000 as at 31 December 2016, a decrease of 2.3% from HK$2,042,892,000 as at 31 December 2015. Rossini, EBOHR Group, Eterna Group, Corum Group and Dreyfuss Group contributed inventory of HK$405,569,000, HK$500,271,000, HK$284,320,000, HK$377,822,000 and HK$102,812,000 respectively.

OUTLOOK

The outlook of the Group is currently constrained by the stagnating global economic growth and the volatile political scenario in the US, Europe as well as Asia, leading to increased uncertainty surrounding macroeconomic forecasts. Although the PRC Central Government has done its best to maintain its short term economic growth, in the medium term, the slow down of economic growth of Mainland China is expected to continue.

Despite the challenges facing our Mainland China business, our watch businesses remain in a leading position with the most comprehensive network of distribution outlets, well-known brands and profitable operations in Mainland China. We anticipate that our overseas watch business will improve as a result of improved management, planning and execution of the appropriate strategy.

Our private banking business is mainly relies on clients in the Euro zone and remains on a relatively promising position as there are no signs whatsoever currently at macro level of any overheating. There is no fear of any deterioration in financing conditions thanks to a clear policy at the European Central Bank.

Upon the full integration of Shun Heng, Bendura Bank and Metasequoia Capital, the Group will have the adequate platform to develop securities and banking businesses. By combining growth, synergie and risk management, and by drawing on the professionalism of its securities and banking employees, a powerful securities and banking business segment with operations in Hong Kong and Europe would be developed. Coupled with the well developed watch business locally and globally, the Group has two important revenue and profit drivers that generate returns to shareholders in the years to come.

We remain positive and hold an optimistic long-term view about the future of the Group. We will keep investing in building the brand and the channels of distribution for the watch business and investing in the growth of securities and banking business to brace for the challenges in the years ahead.

EMPLOYEES AND REMUNERATION POLICY

Our sustained success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees.

As at 31 December 2016, the Group employed approximately 5,000 full-time staff in Hong Kong and Mainland China and approximately 330 staff in Europe. The remuneration packages offered to the employees were determined and reviewed on an arm's length basis with reference to market conditions and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits. Incentive bonuses are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund schemes. Employees of Group's Subsidiaries in Mainland China also participate in social insurance scheme administrated and operated by local authorities and contributions are made according to the local laws and regulations.

DIVIDEND

The Board has resolved not to recommend to distribute a final dividend for the year ended 31 December 2016 (year ended 31 December 2015: HK2.5 cents per share).

In view of the agreement to dispose the 100% equity interest of Seti Timber Industry (Shenzhen) Co., Ltd. ("Seti Timber") at the consideration of RMB1.4 billion (approximately HK$1.568 billion) executed on 23 March 2017 and the relevant deposit of HK$200,000,000 received on 24 March 2017, the Board recommended that a special dividend of HK5 cents per share will be paid on or before 31 July 2017 to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on 7 June 2017. The proposed special dividend is subject to approval by the Shareholders at the forthcoming Annual General Meeting (the "2017 AGM").

CLOSURE OF REGISTER OF MEMBERS

The 2017 AGM is scheduled to be held on Friday, 26 May 2017. For the purpose of determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 24 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to eligible to attend and vote at the 2017 AGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 23 May 2017.

The register of members of the Company will be closed from Monday, 5 June 2017 to Wednesday, 7 June 2017, both days inclusive, for the purpose of determining Shareholders' entitlement to the proposed special dividend, during which period no transfer of shares will be registered. In order to qualify for the proposed special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 2 June 2017.

EVENTS AFTER REPORTING PERIOD

On 23 March 2017, Bright Merit Investments Limited ("Bright Merit"), Pacific Timber Holding Limited ("Pacific Timber") and EB Investments Holdings Limited ("EB Investments"), all of which are wholly-owned subsidiaries of the Company, entered into a disposal agreement with Shenzhen Kangtian Urban Development Investment Co., Ltd ("Shenzhen Kangtian"). Pursuant to the disposal agreement, Bright Merit, Pacific Timber and EB Investments agreed to sell the 18.27%, 26.93% and 54.80% share equity interests they held respectively in Seti Timber to Shenzhen Kangtian, at the consideration of RMB1.4 billion (equivalent to approximately HK$1.568 billion). The disposal constituted a discloseable transaction of the Company pursuant to the Listing Rules, details of which were contained in the announcements of the Company dated 23 March 2017 and 28 March 2017.

Save as disclosed above, there are no other material subsequent events undertaken by the Company or by the Group after the reporting period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a standard of corporate governance that is consistent with market practices.

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Government Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2016 except with the details disclosed below:

(i) CG Code E.1.2

CG Code E.1.2 stipulates that the Chairman of the board of Directors (the "Board") should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 25 May 2016 (the "AGM 2016") and the extraordinary general meeting (the "EGM") held on 13 September 2016 due to other business engagement.

(ii) CG Code A.6.7

CG Code A.6.7 stipulates that Independent Non-executive Directors should attend general meetings. Two Independent Non-executive Directors did not attend the AGM 2016 and three Independent Non-executive Directors did not attend the EGM held on 13 September 2016 due to other business engagements outside Hong Kong.

The Chairman of the Board of Directors and Independent Non-executive Directors will endeavor to attend all future general meetings of the Company unless unexpected or special circumstances preventing them from doing so. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are properly regulated.

The followings summarize the Company's key corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conducts for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the Independent Non-executive Directors of the Company, being Mr. Fung Tze Wa (Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang (resigned from 20 January 2017), Mr. Zhang Bin and Mr. Rudolf Heinrich Escher (appointed on 20 January 2017). The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial matters including the review of the audited financial statements for the year ended 31 December 2016.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 23 August 2005 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company and are consistent with the requirements of the Code. The Remuneration Committee currently comprises Mr. Fung Tze Wa (the Chairman of the Committee), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang (resigned from 20 January 2017), Mr. Zhang Bin, Mr. Rudolf Heinrich Escher (appointed on 20 January 2017), Mr. Hon Kwok Lung and Mr. Shang Jianguang.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 26 March 2012 in compliance with the Listing Rules, terms of reference of which have been adopted by the Board of the Company and are consistent with the requirements of the Code. The Remuneration Committee currently comprises Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Li Qiang (resigned from 20 January 2017) and Mr. Zhang Bin, Mr. Hon Kwok Lung (the Chairman of the Committee), Mr. Shang Jianguang and Mr. Rudolf Heinrich Escher (appointed on 20 January 2017).

RISK MANAGEMENT COMMITTEE

The Company established a risk management committee (the "Risk Management Committee") on 30 March 2016, to assist the Board in reviewing and ensuring the effectiveness of the Group's risk management system. Terms of reference have been adopted by the Board of the Company and are published on the website of the Company. The Risk Management Committee currently comprises four members, namely Ms. Sit Lai Hei (Chairman of the committee), Mr. Shi Tao, Mr. Lam Toi Man and Mr. Bi Bo.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the Company made the following on-market repurchase of the Company's listed shares:

Date of share repurchase	**Date of Cancellation**	**Number of shares repurchased**	**Consideration per share HK$**	**Total consideration (excluding transaction cost) HK$**
20 April 2016	5 May 2016	65,442,000	1.15	75,258,300

Save as disclosed above, the Company has not repurchased any Company's listed shares (whether on the Stock Exchange or otherwise) during the period under review.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's websites at www.irasia.com/listco/hk/citychamp and www.citychampwatchwj.com. The annual report of the Company for the year ended 31 December 2016 will be available on the respective websites of the Stock Exchange and the Company, and despatched to the shareholders of the Company in due course.

APPRECIATION

Our financial performance and strategic moves reflected the joint efforts of the Board and management in successfully pursuing our mission to be one of the leaders in the watch industry of Mainland China. Our development could not have been achieved without the leadership of the Board and our management team. I would like to express my deep gratitude to our employees, customers, suppliers, bankers, professional consultants, business partners, and shareholders for their support.

By Order of the Board
Citychamp Watch & Jewellery Group Limited
Shang Jianguang
Executive Director & Chief Executive Officer

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises Mr. Hon Kwok Lung, Mr. Shang Jianguang, Mr. Shi Tao, Mr. Lam Toi Man, Mr. Bi Bo, Ms. Sit Lai Hei, Mr. Hon Hau Wong and Mr. Tao Li as the executive Directors; and Mr. Fung Tze Wa, Dr. Kwong Chun Wai, Michael, Mr. Zhang Bin and Mr. Rudolf Heinrich Escher as the independent non-executive Directors.